

VERMONT PENSION INVESTMENT COMMITTEE
July 23, 2013

VPIC Members Present:

STEPHEN RAUH, CHAIR
BETH PEARCE, VICE-CHAIR, Vermont State Treasurer
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016
JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015 – via telephone
STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014
VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

VPIC Member(s) Absent:

None

VPIC Alternate Members Present:

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016
THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016
VACANT, VSTRS *Alternate*

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer
Matt Considine, CFA, Director of Investments
Katie Green, Investments Manager
Jaye Pershing-Johnson, Attorney General's Office
Chris Levell and Richard Pszenny, NEPC LLC
Christopher Cook and Jeffrey Abrams, Guggenheim Partners
Peter R. Duffy, Christian M. Noyes and Christine E. Formoso, Penn Capital Management
Jamison Gagnier and Elaine Stokes, Loomis, Sayles & Company
Jeff Briggs, member of the VSERS Board
Linda Deliduka, alternate member of the VSTRS Board
Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, July 23, 2013 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

ITEM 1: **Agenda Approval, Announcements, Minutes of June 25, 2013 Regular Meeting**

The Chair, Mr. Rauh, briefly reviewed the agenda and declared the agenda approved. There were no announcements.

On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously approved the minutes of the June 25, 2013, Regular Meeting, as submitted.

ITEM 2: Director of Investments Report and Action Items

- **Contract Updates, Amendments and Renewals**
- **Review June Flash Report**

Mr. Considine indicated as of June 30, 2013 the total VPIC assets under management were \$3.59 billion. Mr. Considine indicated as of July 31st the VPIC's portfolio allocation is projected to be 34.5% equities, 31.9% fixed income, 14% alternatives and 19.5% multi-strategy, compared to target allocations of 31.4%, 33%, 15.6% and 20% respectively.

Mr. Considine indicated staff had a follow-up communication with AQR and PIMCO concerning the recent market performance and discussed the outcome of that communication with the Committee.

(Mr. Mackey entered the meeting during this agenda item via the telephone.)

Mr. Considine indicated to the Committee members the attendance and conference report was in the packet and requested if there were any changes or additions to please notify him.

Mr. Levell reviewed with the Committee the June Flash Report and responded to any questions posed by the Committee. Mr. Levell indicated they would have the quarterly review at the next meeting.

(Mr. Briggs arrived during this agenda item.)

ITEM 3: Discussion Items/Updates

- **Vermont State Treasurer's Update**
- **VPIC Investment Philosophy and Process/Investment Guidelines**
- **NEPC Investment Manager Watch List: Post Advisory, Wellington EMD**

Ms. Pearce discussed with the Committee the amortization schedule and the smoothing method that is used. Ms. Pearce discussed GASB 67 and 68 with the Committee and the impact it would have on VMERS.

The Chair, Mr. Rauh, led the Committee in a discussion relative to the Philosophy and Process/Investment Guidelines. It was indicated a sub-committee should be formed to address this item. Since there were no volunteers for the sub-committee Mr. Rauh

indicated he would work with Mr. Considine, Ms. Green and Ms. Pershing-Johnson and report back to the Committee their progress with the guidelines.

Mr. Levell indicated there are two managers on the Watch List, Post Advisory and Wellington EMD. Mr. Levell indicated relative to Post Advisory they are having the manager interviews today. Mr. Levell indicated there were no changes with Wellington EMD.

ITEM 4: Economic and Financial Market Dashboard

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

(A recess was taken from 10:35 a.m. to 10:46 a.m.)

ITEM 5: NEPC Introductory Comments on High Yield Presentations

Mr. Levell reviewed with the Committee the *High Yield Fixed Income Manager Search* document. NEPC provided a brief overview of the strategies of the three managers, Guggenheim Partners, Penn Capital Management and Loomis, Sayles & Company. NEPC responded to all the questions posed by the Committee members.

(Mr. Cook and Mr. Abrams entered the meeting at this time.)

ITEM 6: High Yield Presentation – Guggenheim Investments

The presenters from Guggenheim Investments were introduced and welcomed to the meeting. Mr. Cook provided the Committee a brief background of Guggenheim Investments. Mr. Abrams discussed with the Committee their high yield investment product and their investment style. The representatives from Guggenheim Investments responded to the questions posed by the Committee.

(Mr. Cook and Mr. Abrams left the meeting at this time.)

(A luncheon recess was taken from 12:10 p.m. to 1:00 p.m.)

(Ms. Paul and Ms. Pearce were not present after the luncheon recess.)

ITEM 7: High Yield Presentation – Penn Capital Management

(Ms. Formoso, Mr. Noyes and Mr. Duffy entered the meeting at this time.)

The presenters from Penn Capital Management were introduced and welcomed to the meeting. Mr. Noyes provided the Committee a brief background of Penn Capital Management. Mr. Duffy discussed with the Committee their high yield investment

product and their investment style. The representatives from Penn Capital Management responded to the questions posed by the Committee.

(Ms. Formoso, Mr. Noyes and Mr. Duffy left the meeting at this time.)

(A recess was taken from 2:10 p.m. to 2:18 p.m.)

ITEM 8: High Yield Presentation – Loomis, Sayles & Company

(Ms. Stokes and Mr. Gagnier entered the meeting at this time.)

(Ms. Pearce entered the meeting during this agenda item.)

The presenters from Loomis, Sayles & Company were introduced and welcomed to the meeting. Mr. Gagnier provided the Committee a brief background of Loomis, Sayles & Company. Ms. Stokes discussed with the Committee their high yield investment product and their investment style. The representatives from Loomis, Sayles & Company responded to the questions posed by the Committee.

(Ms. Stokes and Mr. Gagnier left the meeting at this time.)

(A recess was taken from 3:15 p.m. to 3:18 p.m.)

ITEM 9: Discussion/Action

NEPC reviewed with the Committee the three high yield manager presentations. NEPC discussed with the Committee Post Advisory and their current situation. NEPC answered the questions posed by the Committee.

On a motion by Mr. Jeffrey, seconded by Ms. Pearce, the Committee unanimously agreed to authorize the Treasurer's Office to enter into contract negotiations with Guggenheim Partners and to replace the Post Advisory high yield separate account with the Guggenheim Partners High Yield Traditional Product.

ITEM 10: Public Comment/New or Other Business

None.

ITEM 11: Adjournment

The Chair, Mr. Rauh declared the VPIC meeting adjourned at 3:55 p.m.

Respectfully submitted,

Monica Chiren, Clerk